



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

Kristine Cazadd
Executive Director
www.boe.ca.gov

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**Contact: NR 49-12-H
Jaime Garza
916-327-8988**

Landmark Legislation to Save California Millions Gains Momentum SB 1185 Creates Coalition to Arrest Underground Economy

Sacramento - California could recapture \$32 million annually under a proposed law designed to combat the state's underground economy by reducing criminal activity and leveling the playing field for California businesses, Board of Equalization (BOE) Chairman Jerome E. Horton announced today.

The BOE is partnering with Senator Curren D. Price, Jr. (D-Los Angeles) to promote legislation (Senate Bill 1185), which would create a *Centralized Intelligence Partnership (CIP)* – a central location for the BOE, the Franchise Tax Board, and the Employment Development Department to share information that will help them expose, investigate and prosecute illegal operators as well as create a statewide evasion hotline for the public to anonymously report illegal activities. SB 1185 continues to gain momentum as it advances through the legislative process, moving Thursday from the Senate Appropriations Committee and heading for a Senate Floor vote.

"Thursday's vote represents a critical step for California to begin to recapture the estimated \$8 billion in uncollected, annual tax revenue which results from the illegal business operators who conduct business in the underground economy", said Horton. "I applaud the Senate Appropriations Committee, for its affirmative vote, and Senator Curren Price for initiating the bold step to ensure that our state agencies have the organizational infrastructure in place to identify and aggressively prosecute those individuals and organized crime syndicates that engage in these illegal activities."

If adopted, the CIP would become operational January 1, 2013 and is expected to generate \$38 for every dollar invested by its third operating year. It will remain revenue-neutral while ramping up in the first two years. The partnership would achieve significant savings by accelerating the investigations process, reducing prosecution costs, and creating efficiencies through the collaborative efforts of the CIP and law enforcement agencies.

California's underground economy deprives the state of \$8 billion in state taxes annually through a spectrum of illegal activities, including the sale of counterfeit goods like "knock off" designer items, offering and paying for services under the table, the exploitation of victims of human trafficking, and smuggling goods into California without paying the required taxes.

Criminals who don't pay taxes harm legitimate businesses by offering goods for lower prices and deprive the state and local governments of corporate, personal and sales and use taxes used to fund critical state and local public services like schools, public safety, transportation, and others. Illegal operators in the Underground Economy ignore many state laws, deprive workers of employment protections, contribute to crime in our local communities and create health and safety hazards for consumers.

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Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization Legislative Committee chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000 to 2006.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$50 billion annually in taxes and fees supporting state and local government services. It hears business taxes appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property tax. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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